

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA
EDISON COMPANY (U 338-E) for Order
Approving Contracts to Secure Additional
Capacity for System Reliability in SP-15.

Application 05-06-003
(Filed July 2, 2005)

**ADMINISTRATIVE LAW JUDGE JUDGE'S RULING
REGARDING JUNE 3, 2005 MOTION, PREHEARING CONFERENCE,
AND PREHEARING CONFERENCE STATEMENTS**

June 3, 2005 Motion; Prehearing Conference

Southern California Edison Company (SCE), by motion filed June 3, 2005, asks the Commission to move promptly to set a prehearing conference (PHC) in this proceeding. As previously noticed by the calendar clerk (without reference to SCE's motion), a PHC has been set and will be held at the Commission Courtroom in San Francisco on:

Tuesday, August 2, 2005, 10:00 a.m.

Edison's motion is now moot.

Issues for Discussion

SCE's application states that forecasts by the California Energy Resources Conservation and Development Commission (CEC) and California Independent System Operator (CAISO) establish that more capacity is needed in southern California in the region known as "South of Path-15" (SP-15) in order to prevent electricity shortages in the summer of 2006 and thereafter. To avoid this result, SCE proposes to acquire up to 1,500 MW of capacity through new purchase

power agreements (PPAs) with terms of up to ten years. The expectation is that these long-term contracts will enable construction of new generation by securing the necessary financing.¹ There is one caveat, however. SCE states it “will not commit to secure this additional generation capacity solely on behalf of its bundled-service customers.” (Application p. 4) SCE proposes that all electricity customers in SP-15 bear the costs of the contracts and wants the Federal Energy Regulatory Commission (FERC) to authorize recovery in transmission rates. Therefore, SCE asks this Commission to do three things: (1) approve the PPAs, which SCE expects to submit in this proceeding in early October, 2005; (2) support SCE’s efforts at FERC; and (3) if FERC declines to impose a transmission charge, authorize recovery through the Commission-approved rates paid by all customers in the service territories of SCE, as well as San Diego Gas & Electric Company and Bear Valley Electric Service – whether these customers subscribe to bundled service, Direct Access, or Community Choice Aggregation.

With one exception, the various protests and comments generally oppose imposition of the cost of the PPAs on any customers other than SCE’s own bundled-service customers. Pacific Gas and Electric Company suggests that

¹ SCE refers to the discussion in the record underlying the Commission’s Long-Term Resource Plan Decision, Decision (D.) 04-12-048. This decision notes:

There is also the concern that the utilities may need to enter into new contracts (and/or construct) new capacity to ensure that California has sufficient resources toward the latter years of this decade. In order for these resources to be on-line when needed, it may be necessary to begin construction of these projects in the very near term. Almost all parties, including WPTF, agree that new construction would require a minimum ten-year contractual commitment. In the near-term, it appears that the utilities are the only entities capable of facilitating the financing of these projects through long-term contracts. (D.04-12-048, slip op., p. 53.)

SCE's proposal is reasonable in concept and that a similar need for capacity could occur in the future in northern California.

In order to appropriately scope this proceeding and set a reasonable schedule, the Assigned Commissioner and I wish to use the PHC to discuss several aspects of the application and the protests/responses/comments to it. The list below may prove preliminary.

Legal/Jurisdictional Issues:

1. Can the Commission impose recovery for the PPAs on customers other than bundled-service customers? Please indicate the authority on which you rely.
2. Can the Commission direct SCE to execute one or more PPAs if the Commission does not support or authorize the cost recovery SCE seeks? Please indicate the authority on which you rely.

Factual/Policy Issues:

3. If you contend that adequate capacity exists in your service territory (or that you have secured adequate capacity in your service territory) to comply with Commission Long-Term Procurement Plan (LTPP) requirements and to meet needs for summer 2006, what is the factual basis for your contention? How do you explain the shortfalls forecast by the CEC and CAISO? Please indicate what evidence you could provide at hearing in support of your position, if requested to do so.
4. What other cost recovery mechanisms might be used instead of the cost recovery SCE seeks? Are these other mechanisms likely to result in "stranded costs"?
5. ORA suggests that the Load Serving Entities (LSEs) with SP-15 service territories should meet to attempt to fashion a joint solution to the capacity problem described in the application. Has such a meeting occurred? Might it be useful for LSEs to convene such a meeting prior to hearing on this application?
6. What is the nature of the generation resources that might be employed to provide additional capacity to SP-15 for summer 2006, summer 2007, summer

2008? What is the timeline (i.e. actual milestones) for development of such generation resources?

Procedural Issues:

7. If you have not proposed a schedule, or believe the schedule you proposed should be updated, please indicate the timeline you recommend for review of this proceeding.
8. What confidentiality issues should govern review access to documents in this proceeding?

To permit useful discussion of these issues and any other substantive or procedural issues that may be raised, parties should ensure that one or more authorized representatives attend the PHC and that such representatives are generally familiar with the application.

PHC Statements; Obligation to File

In order to advance discussion, The Assigned Commissioner and I direct interested persons and entities to file brief PHC statements on the topics listed above, unless they filed a protest, response, or comments and believe their previous filing has addressed these topics adequately.

Any person or entity wishing to participate in this proceeding as a party, who did not file a protest, response, or comments on the application, should file a PHC statement. The PHC statement also should explain the interest that the person or entity has in this proceeding and how the person or entity expects to participate.

PHC statements shall be filed by July 28, 2005 and shall be served on the preliminary service list as provided by Rules 2.3 and 2.3.1 of the Commission's Rules of Practice and Procedure. Please note that I should be served, as should the Assigned Commissioner, Dian Grueneich.

Attendance at PHC; New Service List

Those who intend to participate in this proceeding as a party should determine whether or not to file a PHC statement (see discussion above) and should enter an appearance at the PHC. If unable to attend the PHC, an authorized representative should contact the ALJ by email (xjv@cpuc.ca.gov) and (1) describe the interest in the proceeding and how the person or entity intends to participate and (2) list all relevant contact information (name; person or entity represented; mailing address; telephone number; email address).

Those who intend to monitor the proceeding, only, should either attend the PHC and request to be listed on the new service list in the state service or information only category, as appropriate, or contact the Commission's Process Office (Process@cpuc.ca.gov or Process Office, 505 Van Ness Ave., San Francisco, CA, 94102), specify the service category desired, and list all relevant contact information.

Following the PHC, a new service list will be created for this proceeding and the preliminary service list (the combined service lists for R.02-01-001 and R.04-04-003) will be discarded.

IT IS RULED that:

1. The motion filed August 2, 2005 by Southern California Edison Company is moot.
2. On or before July 28, 2005, interested persons and entities shall file brief prehearing conference (PHC) statements on the topics listed in the body of this ruling, unless they filed a protest, response, or comments and believe their previous filing has addressed these topics adequately.
3. Any person or entity wishing to participate in this proceeding as a party, who did not file a protest, response, or comments on the application, should

include in the PHC statement an explanation of the interest that person or entity has in this proceeding and how the person or entity expects to participate.

4. PHC statements shall be served on the preliminary service list as provided by Rules 2.3 and 2.3.1 of the Commission's Rules of Practice and Procedure.

5. Appearances taken at the PHC will form the basis for a new service list for this proceeding. Any person or entity who cannot attend the PHC and who desires service following the PHC, should contact the ALJ (for appearance status) or the Commission's Process Office (for state service or information only status), as provided in the body of this ruling.

Dated July 18, 2005, at San Francisco, California.

/s/ JEAN VIETH

Jean Vieth
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Regarding June 3, 2005 Motion, Prehearing Conference, and Prehearing Conference Statements on all parties of record in this proceeding or their attorneys of record.

Dated July 18, 2005, at San Francisco, California.

/s/ TERESITA C. GALLARDO
Teresita C. Gallardo

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.